

**VOL Part B**  
**General Terms of Contract**  
**for the Provision of Supplies and Services**  
**(VOL/B)**

- Version 2003 -  
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Preamble

The following General Terms of Contract shall apply to contracts for supplies and services, particularly to service, purchase and work performance contracts as well as to contracts concerning the delivery of movables which are still to be manufactured or produced.

§ 1

Type and Scope of Supplies and Services

1. Type and scope of mutual supplies and services are governed by the contract.
2. In the event of inconsistencies in the contract, the following shall apply in sequential order:
  - a) Statement of Work
  - b) Special Terms of Contract
  - c) any Supplementary Terms of Contract
  - d) any Additional Terms of Contract
  - e) any general Technical Terms of Contract
  - f) General Terms of Contract for the Provision of Supplies and Services (VOL/B).

§ 2

Alterations of Supplies and Services

1. The procurement office may subsequently request alterations of the supplies and services within the scope of the contractor's capabilities as far as this can be reasonably expected from the contractor.
2. If the contractor has reservations concerning such alterations of supplies and services, he shall inform the procurement office accordingly in writing and without delay. If the procurement office fails to share the contractor's reservations, it shall retain responsibility for its specifications and instructions. The contractor shall only be obliged to substantiate his reservations by an advisory report if this has been agreed separately.
3. If the basis of pricing for the supplies and services to be provided under the terms of the contract is changed as a result of alterations of supplies and services, a new price shall be agreed, taking into account additional costs or price reductions as the case may be. The agreement shall cover possible effects of the alteration of supplies and services upon other contractual terms, especially execution deadlines. This agreement shall be concluded without delay.

4. (1) Supplies and services provided by the contractor without specific order or arbitrarily outside the terms of the contract will not be remunerated. Upon request, the contractor shall take back or remove such supplies and services within a reasonable period of time, otherwise they may be returned or removed at his expense and risk. The contractor shall, however, be entitled to remuneration if the procurement office subsequently accepts such supplies and services.

(2) Additional claims of the procurement office shall not be affected.

### § 3

#### Documents for the Provision of Supplies and Services

1. The contractor shall be furnished, free of charge and in good time, those documents required for the provision of supplies and services that are not generally available.
2. Documents exchanged by the contracting parties may not be published, reproduced or used for any purpose other than that agreed without the originator's consent. Unless otherwise agreed, they shall be returned on request.

### § 4

#### Provision of Supplies and Services

1. (1) The contractor shall provide supplies or services on his own responsibility and in accordance with the contract. In doing so, he shall observe commercial practices, the accepted standards of technology as well as current legal and administrative regulations.  
  
(2) The contractor shall bear sole responsibility for complying with the legal and administrative requirements as well as the standards laid down by the employers' liability insurance association (*Berufsgenossenschaft*) vis-à-vis his employees. It is solely his responsibility to see to whatever arrangements and steps are relevant to his employee relations.
2. (1) If an agreement has been reached allowing the procurement office to verify that the supplies and services are being provided in conformity with the contract, access during business or working hours shall be granted to the workplaces, workshops and facilities where components forming part of the relevant supplies and services are made or designated materials are stored. It shall be furnished with all pertinent information, written or spoken, as requested.  
  
(2) In this connection, the procurement office shall have no right to any manufacturing or business secrets of the contractor being disclosed to him.  
  
(3) Any knowledge of contractor's manufacturing or business secrets acquired during visits from documents or other sources of information shall be treated confidentially. The procurement office will be liable for any misuse.
3. Unless otherwise agreed, the procurement office shall be responsible for the quality of supplies and materials provided by it, as well as for the quality of supplies and materials made available by third parties. The contractor shall give the procurement office prompt and written notification of any defects, established with ordinary care, in materials supplied by the procurement office or in supplies and services furnished by other parties on the procurement office's behalf. Failure to do so will render the contractor responsible.

4. The contractor must not entrust third parties subcontracted by him with the provision of supplies and services or a large part thereof unless he has been given the procurement office's consent. Consent shall be dispensable for minor partial supplies and services or such outside the contractor's line of business operations. This provision must not be construed to prejudice commercial contractors.

## § 5

### Impediments to and Interruption of Performance

1. If the contractor feels impeded in the due provision of supplies and services, he shall send the procurement office immediate and written notification to this effect. Any such notification may be waived if the facts and resulting obstructions are obvious.
2. (1) Deadlines for the provision of supplies and services shall be extended within reason if the contractor's commercial operations are impeded as a result of force majeure, circumstances beyond the contractor's control, industrial action or a legal lockout. The same holds true for impediments affecting subcontractors and suppliers as far and as long as the contractor is actually or legally hindered from seeking replacements.  
  
(2) If an impediment beyond the contractor's control as provided in sub-section 1 persists for more than three months from receipt of the notification as per para 1, sentence 1 or from the occurrence of the obvious event as per para 1, sentence 2, the parties shall be entitled, unless otherwise agreed, to terminate the contract with immediate effect or to withdraw from it in its entirety or in part within thirty days from the end of said period by written notice.
3. As soon as impediments cease to exist, the contractor shall send a written notification to that effect to the procurement office and resume work without delay.

## § 6

### Type of Delivery and Shipment

If shipping costs are borne separately by the procurement office, the contractor shall safeguard the latter's interests while observing its shipping instructions. This applies especially to the chosen route of transportation, the choice and utilization of the means of transportation as well as to the most favorable tariff classification for the goods.

## § 7

### Breaches of Duty by the Contractor

1. In case of breaches of duty of the contractor, statutory regulations shall, subject to the regulations of § 14 of VOL/B, apply in accordance with the following provisions.
2. (1) In case of losses due to breaches of duty caused by slight negligence, the contractor shall not be liable to compensate the procurement office for any loss of profit incurred. The contractor shall also be excluded from liability to compensate for any such losses if the default was caused by subcontractors assigned to the contractor by the procurement office.  
  
(2) In addition, liability for damages may be further limited in individual cases. Customary terms of delivery, for instance, shall be taken into account whenever liability is to be limited to a total sum or to restitution of additional costs incurred by replacements.

(3) If the procurement office makes a claim for damages instead of the entire performance or, instead of that, for reimbursement of outlays, the contractor shall, without delay, return any documents (drawings, calculations etc.) made available to him. The procurement office shall promptly submit to the contractor a specification of its claims. The procurement office shall inform the contractor of the additional costs for the provision of supplies and services by a third party within three months after the settlement of accounts with that third party. The procurement office shall specify any remaining claims to the contractor without delay.

(4) If, in the event of supplies and services provided in part, the procurement office submits a claim for damages instead of the performance or, instead of that, for reimbursement of outlays for those supplies and services still outstanding only, the contractor shall, without delay, furnish the procurement office with a verifiable account of those supplies and services actually provided. For any other purpose, sub-section 3 will apply.

3. If the procurement office exercises its right of withdrawal from contract, para 2, subparagraph 3, sentences 1 and 4 will apply; in the event of partial withdrawal, para 2, subparagraph 4, sentence 1 will apply also.

4. (1) If the contractor defaults, the procurement office, before exercising its right of withdrawal from contract, sets the contractor a reasonable time limit for performance or subsequent performance.

(2) The procurement office undertakes, at the request of the contractor, to state whether it withdraws from the contract due to the delay in work or insists on the performance. This request shall be submitted before expiry of the time limit under sub-section 1. Up to the receipt of the response by the contractor, the latter shall be entitled to perform.

## § 8

### Termination of Contract by the Procurement Office

1. The procurement office may withdraw from the contract, or terminate it with immediate effect if insolvency proceedings, or comparable legal proceedings have been instituted against the contractor, or if the institution of proceedings has been applied for, or if such application has been rejected for lack of assets, or if the contract is at risk of not being duly fulfilled as a result of the contractor suspending his payments not only temporarily.

2. The procurement office may also withdraw from or immediately terminate the contract if, with regard to its awarding, the contractor has employed unlawful restrictive practices as defined by the German Act Against Restraints of Competition.

3. In case of termination, any supplies and services already provided and that the procurement office can make use of shall be invoiced at the contract prices or according to ratio of the completed part against the overall supplies and services contracted based on the contract prices; any supplies and services not required shall be returned to the contractor at his expense.

4. Any other rights or claims of the procurement office shall not be affected.

## § 9

### Default of the Procurement Office, Termination of Contract by the Contractor

1. In case of default of the procurement office as debtor and creditor, statutory regulations shall apply in accordance with the following provisions.

2. (1) If the procurement office, through no fault of its own, fails to cooperate in compliance with its contractual obligations, thereby preventing the contractor from providing supplies and services as laid down in the contract, the latter may set an appropriate deadline for the procurement office to make up its omission by, while emphasizing that he, the contractor, will reserve the right to terminate the contract with immediate effect should the procurement office fail to meet its contractual obligations by the deadline given.  
  
(2) In case of termination, any supplies and services already provided by that time shall be invoiced at contract prices. For any other purpose, the contractor shall be entitled to adequate compensation to be determined by appropriate application of § 642, sub-section 2 of the German Civil Code.
3. Contractor's claims arising from the negligent non-fulfillment of its duty to cooperate by the procurement office shall not be affected.

#### § 10 Duty to Exercise Proper Care

Up to the passing of the risk, the contractor shall protect against damage or loss the supplies or services provided by him and any equipment made available to him for the execution of the work.

#### § 11 Contractual Penalty

1. If contractual penalties are agreed, the provisions of § 339 to 345 of the German Civil Code shall apply. A reasonable ceiling shall be established.
2. If a penalty is agreed for exceeding the time allowed for fulfillment of the contract, the amount for each completed week must not exceed 0.5% of the value of that part of the supplies and services that cannot be used. The maximum penalty is 8%. If the penalty is computed by the number of days, only working days will count; if it is computed by weeks, each working day of a new week will count as 1/6 of a week.

The procurement office may assert claims resulting from an incurred penalty until final payment.

#### § 12 Quality Inspection

1. Quality inspection is the examination of supplies and services for their fulfillment of the technical and related organizational requirements laid down in the contract by the procurement office or a contractually appointed representative. It shall not affect the acceptance of supplies and services.
2. If the contract contains an agreement to specify the type, scope and venue of quality inspection, the following provisions shall, unless otherwise agreed, apply additionally:
  - a) Upon the procurement office's or contractor's request, partial supplies and services may be examined, especially in those cases where an inspection would be rendered unduly complicated or even impossible by continued execution.

- b) The contractor shall inform the procurement office or its representative in good time and in writing of the point in time when the supplies and services or parts thereof will be available for the agreed inspection. The contracting parties shall then agree without delay on a period of time within which the inspections shall be conducted. If this period expires without the agreed inspections being carried out for reasons to be answered for by the procurement office, the contractor may grant the procurement office a reasonable period of grace, requesting that either the inspections be carried out within that period or the procurement office declare whether it intends to waive the quality inspection. If the procurement office does not carry out the inspections within the set period and fails to waive the inspection altogether, it shall pay damages upon expiration of said period in accordance with the regulations governing debtor's delay.
- c) The contractor shall furnish the manpower, rooms, machines, equipment, inspection and measuring devices as well as POL supplies as required for the inspection.
- d) If, on the basis of the quality inspection, there is agreement on the rejection of the supplies and services or parts thereof as not being in conformity with the contract, the contractor shall replace them with supplies and services that meet the terms of the contract.
- e) If there is no agreement on the rejection of the supplies and services due to divergences of opinion on the inspection procedures applied, the contractor may request a further inspection to be carried out at a materials testing agency to be agreed on by both parties whose findings shall be considered final. The costs thus incurred shall be borne by the losing party.
- f) Prior to delivery of the supplies and services, the contractor shall issue a release note. This release note is the precondition for delivery to the procurement office.
- g) The contract price shall include the expenses incurred by the contractor for the agreed quality inspection. Items rendered unusable as a result of the quality inspection shall not be deducted from the overall supplies and services.

### § 13 Acceptance

1. (1) Unless otherwise agreed, the passing of risk shall be governed by statutory regulations.  
  
(2) If shipment or the handing over of the completed items is delayed upon the procurement office's request beyond the final deadline stipulated in the contract, the risk for the period of delay shall pass to the procurement office provided no other date has been agreed.
2. (1) Acceptance becomes effective with the procurement office's declaration that the contract has been fulfilled in substance. If acceptance is legally provided for or stipulated in the contract, the procurement office shall declare within the given period of time whether or not it will accept the supplies and services.  
In case of a minor defect the procurement office cannot refuse acceptance if the contractor explicitly recognizes his obligation to remedy the defect.

In the event of nonacceptance, the procurement office shall inform the contractor about the reasons and shall - especially if subsequent performance is possible and reasonable for both parties - set a deadline for submission for acceptance without prejudice to the procurement office's claim arising from noncompliance with the original deadline for contract performance.

- (2) Upon acceptance, the contractor's liability for recognized defects will cease to exist unless the procurement office has reserved the assertion of rights due to a specific defect.
  - (3) If the procurement office has started to make use of the supplies and services, acceptance is deemed to be effected with the commencement of use unless otherwise agreed.
  - (4) The aforementioned paragraphs shall apply accordingly to the acceptance of partial supplies and services.
3. The procurement office may grant the contractor a reasonable period of time for the removal of items which it has rejected as being nonconforming. Upon expiration of that period, the procurement office may sell these items at the contractor's expense, safeguarding the latter's interests to the extent possible.

#### § 14 Deficiency Claims and Limitation

1. If a defect is attributable to a request by the procurement office for alterations in the nature of the supplies and services (§ 2, para 1), or to materials furnished or specified by it or supplied by any subcontractor upon the procurement office's request, the contractor shall be exempt from claims for such defects, provided he has sent written notification as stipulated under § 2, para 2 or § 4, para 3, or the defects in materials furnished by the procurement office were not apparent even when taking customary care.
2. In the case of deficiency claims arising from material defects, the statutory regulations shall apply subject to the following conditions:
  - a) If the supplies and services show defects, the contractor shall first of all be granted the opportunity for subsequent performance within a reasonable time limit. The contractor shall, at his own choice and free of charge, rework, resupply or reprovide all parts or services which, within the limitation period, show a redhibitory defect the cause of which already existed at the time of the transfer of risk.

Upon expiration of the time limit, the procurement office may remedy the defects itself at the contractor's expense or arrange for subsequent performance by a third party.

The procurement office may also set a reasonable time limit, stating its refusal to accept remedial action once said period has expired; in this case, the procurement office, in accordance with statutory regulations, may

1. reduce remuneration or withdraw from the contract as well as
  2. claim for damages or reimbursement of futile outlays.
- b) The procurement office's claim for compensation refers to damage with respect to the subject matter of the contract itself unless
    - aa) the damage sustained is caused willfully or by gross negligence on the part of the contractor, his legal representatives or his agents (§ 278 of the German Civil Code),
    - bb) the damage is caused by non-fulfillment of a guaranty for the quality of the supplies and services, or
    - cc) the damage results from fatal injury, bodily harm or impairment of health.

In case of the contractor not being liable in accordance with aa to cc the claim for reimbursement of futile outlays shall be limited to the value of supplies and services affected by defects.

Liability for compensation and reimbursement of outlays in accordance with aa shall not be applicable if the contractor can prove that sabotage is involved or if the procurement office provided the personnel for fulfillment of the obligation or if the contractor was not decisively involved in the selection of such personnel.

- c) The procurement office may grant the contractor a reasonable time limit to remove defective items. Upon expiration of said period, the procurement office may sell these items at the contractor's expense, safeguarding the latter's interests to the extent possible.
  - d) The contractor shall not be liable for modifications or repair work carried out by the procurement office incompetently and without the contractor's consent, nor shall he be liable for any consequences thereof.
3. Unless otherwise agreed, the statutory periods of the German Civil Code shall apply to the limitation of deficiency claims. Other regulations shall be allowed for if required due to the special character of the supplies and services; in this connection, the regulations customary in the respective industrial sector may be taken into account. The procurement office shall notify the contractor without delay and in writing of defects.

#### § 15 Invoicing

1. (1) The contractor shall account for his supplies and services in a verifiable form. To this effect he shall prepare traceable invoices, observing the sequence of items as agreed in the contract and using the designations contained in the contract documents; moreover, he shall meet other requirements with regard to invoice forms as stipulated in the contract and provide evidence of the type and scope of supplies and services by means of supporting documents in the customary form. Invoiced amounts to be paid for alterations and additional supplies shall be listed separately or specifically identified by reference to the relevant agreements.
- (2) Unless specified otherwise by the contractor, this invoice shall be the final invoice.
2. If a verifiable invoice in accordance with para 1 is not submitted within a set reasonable time limit, the procurement office may draw up the invoice on the contractor's behalf and at his expense, provided it had previously warned the contractor accordingly.

#### § 16 Hourly Paid Work

1. Hourly paid work shall only be reimbursed if so provided for in the contract or if ordered by the procurement office prior to the commencement of work.
2. The procurement office shall be informed of the commencement and conclusion of such work. Unless otherwise agreed, weekly returns of hourly paid work shall be submitted, specifying the number of hours worked, any raw, basic and auxiliary materials and POL products to be paid separately, as well as any remuneration agreed separately for the provision of scaffolding, tools, equipment, machinery and the like.

3. Unless otherwise agreed, such returns shall be submitted weekly, beginning 12 working days after commencement of work.

### § 17 Payment

1. Payment of the invoiced amount shall be made upon provision of the supplies and services. It may be effected at an earlier point in time in accordance with the agreed terms of payment. In the absence of such agreements, payment of the invoiced amount shall be made within thirty days of presentation of the verifiable invoice. As a rule, payments shall not be cash. Punctuality of payment shall be based on the date of presentation of the transfer order to the procurement office's bank.
2. If the contract provides for partial payments, such payments shall be made, upon request, within appropriate time limits and in amounts corresponding to the value of the items supplied. The supplies and services shall be evidenced by a verifiable statement. Partial payments shall not constitute acceptance of partial supplies and services.
3. If divergences of opinion arise at the time of final settlement, the amount indisputably due to the contractor shall nevertheless be paid to him.
4. The unconditional acceptance of final payment identified as such shall preclude any additional claims. A proviso shall be stated within two weeks from the receipt of final payment.  
A proviso shall become null and void unless a verifiable invoice concerning the claims under proviso is submitted within another month or, if this is not possible, the proviso is substantiated in detail.
5. If errors in the accounting documents are ascertained after receipt of the final payment, the final invoice shall be corrected. Such errors are errors in the determination of supplies and services provided and in the application of general calculation rules, decimal and transmission errors including balances brought forward faultily. Both the procurement office and the contractor are obliged to reimburse any amounts arising from errors.

### § 18 Security

1. (1) Unless otherwise agreed, provisions of security shall, under the prerequisites of § 14 of VOL/A, only be admissible for contract values exceeding 50,000 Euro. If the provision of a security has been agreed, the conditions of §§ 232 to 240 of the German Civil Code shall apply unless stipulated otherwise in the following provisions.  
  
(2) The provision of security serves to guarantee that supplies and services are furnished and deficiency claims enforced as stipulated in the contract.
2. (1) Unless otherwise agreed in the contract, security may be provided in the form of a deposit or guarantee given by a financial institution or credit insurer officially authorized in the European Union or in a country that is a contracting party of the Convention on the European Economic Area or a member of the WTO's General Agreement on Trade in Services (GATS). If in a specific case the procurement office has reasonable reservations about the guarantor's suitability, the contractor shall provide evidence to the contrary.

(2) The contractor has a choice between the various types of security; he may replace one type of security by another.

3. In the case of a guarantee provided by credit institutions or credit insurers other than those officially authorized, the procurement office must have accepted the guarantor as being suitable.
4. (1) The statement of guarantee shall be made in writing with the explicit provision that the guarantee is subject to German law, with the defense of setoff, voidability and failure to pursue remedies (§§ 770 and 771 of the German Civil Code) being waived; it must not be limited to a certain period of time and has to be drawn up in accordance with the procurement office's instructions. Under the conditions of § 38 of the Code of Civil Procedure (*Zivilprozessordnung*), the guarantee must include the explicit stipulation of a domestic place of jurisdiction selected by the procurement office for all disputes on the validity of the guarantee agreement and those arising from the agreement itself.

(2) The contractor may not demand a guarantee as security which commits the guarantor to payment upon first request.

5. If security is provided by way of a deposit, the contractor shall pay the amount into a blocked account with a jointly selected financial institution and with only a joint right of disposition. The contractor shall be entitled to any interest accrued.
6. Unless otherwise agreed, the contractor shall furnish security within 18 working days after conclusion of the contract.
7. The procurement office shall return the security without delay according to the total or partial cessation of the purpose of security.

## § 19 Disputes

1. In the case of divergences of opinion, the procurement office and the contractor shall first try to reach an amicable agreement, if possible within two months.
2. Given the preconditions for an agreement on jurisdiction in accordance with § 38 of the Code of Civil Procedure, jurisdiction for all disputes on the validity of the contract and those arising from the contract shall be determined only by the location of the agencies responsible for representing the procurement office unless otherwise agreed. Upon request, the procurement office shall be obliged to name the agency representing it in any action.
3. Disputes shall not entitle the contractor to cease work under contracts awarded to him if the procurement office declares that the continuation of work is required for reasons of special public interest.